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SUBJECT: GERMAN CLIMATE CHANGE POLICY -- MERKEL COMMITTED  
TO BINDING EMISSIONS TARGETS

11. (SBU) Summary: Chancellor Merkel is serious about pursuing aggressive international measures to meet the challenges of global warming. She has built her Chancellorship almost exclusively on this issue. Her support for mandatory, targeted global limits on greenhouse gas (GHG) emissions and an international cap-and-trade regime reflects a deep-seated belief that only drastic, concerted efforts on the part of the international community can slow -- and ultimately reverse -- the human contribution to global warming. In pursuing activist climate change policies, the Chancellor enjoys the overwhelming support of the German population and of political leaders spanning the spectrum of the German body politic. While Merkel has been careful to consider alternative solutions, such as new technologies for clean coal and renewables, fundamental differences in our approaches to the issue of climate change could lead to more visible disagreements, especially if Germany and other like-minded countries push hard for mandatory, global GHG targets at the UN Bali Conference in December. End Summary.

12. (U) Since declaring the issue of combating global warming one of the centerpieces of Germany's EU and G-8 presidencies, Chancellor Angela Merkel has continued to maintain a sharp focus on the issue in the run-up to the Bali Conference. She has not missed an opportunity to highlight the centrality and the urgency of this issue, both internationally -- as in the context of her UNGA speech and her recent visits to Greenland, China and Japan -- and domestically, in a series of keynote speeches on the issue. Merkel most recently raised the need for a global approach to climate protection at a climate conference on October 9, 2007 in Potsdam. As in her UNGA remarks, the Chancellor warned of the dramatic consequences of global warming and pointed out the need for industrialized nations to act as role models, especially in initiating a post-2012 framework agreement that contains clear GHG emission-reduction targets. She also set out the various international responsibilities in detail, tying in with her earlier statements at the G-8 summit in Heiligendamm. In particular, Merkel recalled that she had made it a top priority at the June 6-8 Heiligendamm Summit to persuade G-8 leaders to commit to a 50% reduction in greenhouse gas emissions by 2050 and to advance a framework for a post-Kyoto climate protection agreement under the aegis of the UN by 2009.

13. (U) At the Potsdam meeting, Merkel strongly advocated an international emissions trading scheme as part of the post-Kyoto framework agreement, arguing that this would lead industries to invest in climate-friendly technologies. She

proposed issuing emissions permits to all industry sectors, which ideally would be tradable at the international level or -- at a minimum -- at regional level, as an effective means to combat global warming. Each country would receive emission permits allowing it to emit a specific amount of CO2; countries which exceed their allowance would have to buy permits from countries that produce less than their permits allow.

¶4. (U) The Chancellor also reiterated her idea of basing a nation's carbon dioxide emissions allowance on population size, a proposal she had unveiled during her recent visits to China and Japan, calling on both governments to do more to halt climate change. Terming climate change one of the most pressing issues for the future, the Chancellor said "the only realistic long-term goal is to balance per capita emissions around the world." With this proposal, Merkel hopes to reassure emerging economies that any future global framework will be applied equitably.

¶5. (U) Merkel's focus on emerging economies dates back to the Heiligendamm summit, where the Chancellor had called for greater involvement of important emerging economies in global policy issues, with a particular emphasis on climate change. However, under her carbon-per-capita proposal, many developing countries would be allowed to increase their emissions per capita while industrialized nations cut theirs, until both sides reached the same level. To cut emissions in half by 2050, the world-wide average CO2 emission per capita needs to be reduced to two tons per year. Not only the U.S., but most industrialized countries would have to undertake dramatic reductions in order to meet Merkel's goal, she said. Merkel concluded her remarks by calling global per capita emissions limits the only realistic method to begin to

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reverse the effects of global warming and by underscoring the importance of the upcoming Bali conference in establishing a framework for a post-Kyoto climate protection agreement.

¶6. (SBU) Comment: While Merkel has been willing to consider alternative complementary approaches to reducing GHG emissions and to offer at least lukewarm support to our Major Economies initiative, her support for a global mandatory cap on emissions has been unwavering. While the Chancellor is herself not immune from political considerations -- as illustrated by her efforts to assuage the German automobile industry in the context of EU-wide auto-emissions goals -- Merkel is a true-believer on the issue of mandatory global caps on emissions, and will likely not be deterred from pursuing this in international fora. Interestingly, even German industry has been largely silent on the difficulties her plan would entail. While the Chancellor and her advisers are well aware of our preference for measuring GHG intensity by linking emissions to units of economic output, as opposed to population, they are convinced that such a regime would be unpalatable to emerging nations, and would not succeed in reversing global warming. Likewise, although Merkel is interested in exploring the possibilities offered by new technologies, she is convinced that, in the short term, there is no viable alternative to binding international GHG emissions targets. We believe that Merkel and her advisers will continue to work with us and to avoid confrontation to the extent possible in the run-up to Bali, but that our differences in approach may well become more acute if Bali generates additional momentum for mandatory, global GHG emissions targets.

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